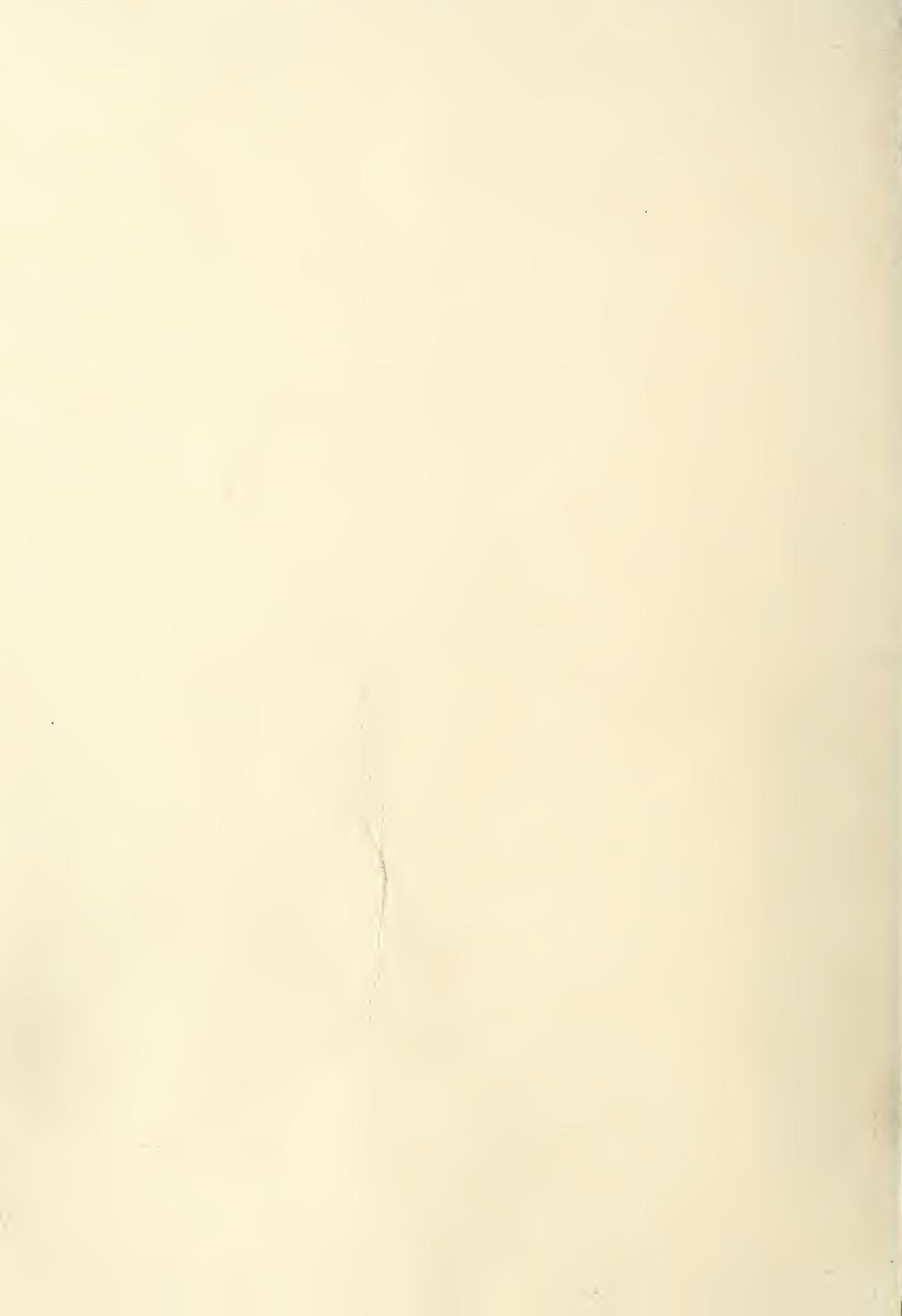


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ASCS BACKGROUND INFORMATION ----- BI No. 1 - February 1965

THE AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The Agricultural Stabilization and Conservation Service is the agency of the U. S. Department of Agriculture which carries out various action programs in the general fields of farm price support, production adjustment and conservation assistance. It includes within it the ASC State, county, and community farmer committee system and most of the operations of the Commodity Credit Corporation.

The principal ASCS activities include (1) price support, which is carried out through commodity loans and payments to farmers or through direct purchases of agricultural commodities from farmers and processors; (2) production adjustment, which is carried out through marketing quotas, acreage allotments, and land diversion payments for a number of commodities in which the Nation is more than self-sufficient (cotton, tobacco, rice, peanuts, wheat, corn and other feed grains), conditional or incentive payments for two commodities in which the Nation is not self-sufficient (sugar and wool), and in addition cotton equalization payments on domestic consumption and exports; (3) conservation assistance, carried out through sharing with individual farmers the cost of installing needed soil-, water-, woodland- and wildlife-conserving practices under the Agricultural Conservation Program, and through annual land rentals under the Conservation Reserve of the Soil Bank; (4) management of the inventories of the Commodity Credit Corporation through sales, export and domestic payments-in-kind, donations, storage, and related processing and shipping arrangements; and (5) disaster relief, through direct assistance to farmers and ranchers

whose feed supplies have been destroyed or whose farmlands have been seriously damaged by widespread flood or drought, and assistance in preparedness planning for purposes of civil defense.

Organization

The Agricultural Stabilization and Conservation Service is headed by an Administrator, an Associate Administrator, and three Deputy Administrators. Each of the latter has over-all responsibility in a specified area of activity: State and county operations, commodity operations, and management.

Reporting directly to the Administrator are a Policy and Program Appraisal Division, a Producer Associations Division, and Policy Staffs on cotton, grain, livestock and dairy, oils and peanuts, sugar, tobacco, and conservation and land use.

Reporting to the Deputy Administrator for State and County Operations are 6 Area Directors (with headquarters in Washington, D. C.), 50 ASCS State offices and a Caribbean Area office, 4 functional divisions -- Aerial Photography, Bin Storage, Conservation and Land Use, and Farmer Programs -- and a Disaster and Defense Services Staff. Four ASCS Commodity Offices, and the Inventory Management and the Procurement and Sales divisions report to the Deputy Administrator for Commodity Operations. Five functional divisions -- Administrative Services, Budget, Fiscal, Information, and Personnel Management -- and an Operations Analysis Staff report to the Deputy Administrator for Management. The Data Processing Center and the Management Field Office, both at Kansas City, Mo., also report to the Deputy Administrator for Management.

The four ASCS Commodity Offices are located in Evanston (Ill.), Kansas City (Mo.), Minneapolis and New Orleans. The Kansas City and Evanston offices

are concerned with grain, the New Orleans office with cotton, and the Minneapolis office with processed commodities. Each is responsible for such activities as loans, purchases, shipping, storage, commodity dispositions, export financing, fiscal examination, payment, and accounting.

The Aerial Photography Division maintains an Eastern Laboratory, located at Asheville, N. C., and a Western Laboratory, located at Salt Lake City, Utah.

Agricultural Stabilization and Conservation (ASC) State and county committees are key units in ASCS's field organization. The six area directors serve as a link between the headquarters in Washington and the committee system.^{1/} The farmer-elected county committees are responsible for local administration of such national programs as acreage allotments and marketing quotas, the Agricultural Conservation Program (ACP), the Conservation Reserve, price-support loans and payments, acreage diversion programs and payments, Sugar Act and National Wool Act payments, storage, and other ASCS and CCC activities requiring direct dealings with farmers. When arranging to participate in any of these programs, the farmer's first point of contact is the county ASCS office, which is usually located at the county seat.

^{1/} The offices headed by the six area directors, and the States they service, are: Midwest Area - Illinois, Indiana, Iowa, Minnesota, Missouri, Nebraska, Ohio, South Dakota, Wisconsin; Northeast Area - Connecticut, Delaware, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia; Northwest Area - Alaska, Idaho, Montana, North Dakota, Oregon, Washington, Wyoming; South Central Area - Arkansas, Louisiana, Mississippi, Oklahoma, Texas; Southeast Area - Alabama, Florida, Georgia, Kentucky, North Carolina, South Carolina, Tennessee, West Virginia, (and CaribbeanArea); Southwest Area - Arizona, California, Colorado, Hawaii, Kansas, Nevada, New Mexico, Utah.

Following is a brief description of the major programs for which the Agricultural Stabilization and Conservation Service is responsible:

Price Support

ASCS administers price support programs for wheat, corn, cotton, peanuts, rice, tobacco, butterfat, milk, wool, mohair, honey, tung nuts, barley, oats, rye, sorghum grain, flaxseed, soybeans, dry edible beans, cottonseed, and crude pine gum. Support is achieved through loans, purchases, and, for some commodities, payments.

The programs give farmers a ready means of maintaining their incomes and promoting more orderly marketing in periods when bountiful harvest supplies threaten to push prices of farm commodities down to unfair levels.

Unusually heavy supplies of farm commodities in recent years have required active price-support operations. The investment in price-support -- the cost value of commodity inventories acquired in supporting prices, plus the amount of price support loans outstanding -- as of November 30, 1964 totaled 7.2 billion dollars. Of this total, 4.8 billion dollars represented CCC inventories.

Although ASCS, through its personnel and facilities, administers price support operations, the programs are authorized and financed by the Commodity Credit Corporation.

Commodity Inventory and Sales Operations

With grain and other commodities in inventory, or held as security for price support loans, storage and sales operations are necessary activities for ASCS.

Regular commercial storage facilities are used to the fullest extent practicable. CCC-owned grains and related commodities are stored in some 10,000 commercial warehouses throughout the country. Cotton, tobacco, dairy products, and other commodities are also stored in regular commercial facilities.

To bridge the gap when available commercial space is not adequate to meet all current needs, CCC in the past has acquired some supplemental storage of its own. As of November 30, 1964 it owned special grain bins with a capacity of about 923 million bushels, located on bin-sites throughout the major grain-producing areas. This capacity is declining. The bins are used primarily for local storage of corn.

Through a Facility Loan Program, ASCS encourages and aids farmers in the expansion of facilities needed for farm storage of price-supported commodities. Farmers have added approximately 816 million bushels of storage capacity through the use of special ASCS farm storage and equipment loans, which run for five years at four percent interest. In recent years farmers have been able also to continue their price-support loans on farm-stored grains beyond the first year, earning storage payments during the loan extension ("reseal") period.

To keep CCC inventories at manageable levels, every effort is made to move them into useful consumption outlets as rapidly as possible. The commodities are disposed of in various ways. Some are sold in the United States for dollars, and some move into export channels for dollars and foreign currencies. Substantial quantities of food commodities are transferred to other agencies, on either a reimbursable or nonreimbursable basis, for eventual donation to school lunch programs, Veterans Administration and Armed Forces hospitals, needy Indians on reservations, and, through approved welfare organizations, to other needy persons in the United States and abroad.

Production Adjustment

Acreage allotments are used in an effort to help bring the production of five "basic" crops (cotton, wheat, rice, peanuts, and most kinds of tobacco) into line with demand.

When supplies are very large marketing quotas are used in conjunction with acreage allotments if at least two-thirds of the producers voting in

referendums approve the quotas. When quotas are in effect, any excess production of the crop -- that is, in general, the production from acreage in excess of the farm acreage allotment -- is subject to penalties.

Acreage allotments for 1965 crops were in effect, on a national basis, as follows: Wheat, 49,500,000 acres; upland cotton, 16,200,000 acres; extra long staple cotton, 77,758 acres; rice, 1,818,638 acres; peanuts, 1,610,000 acres; tobacco -- burley, 284,146 acres; flue-cured, 515,425 acres; Maryland, 39,528 acres; Virginia sun-cured, 3,237 acres; fire-cured (type 21), 9,266 acres; fire-cured (types 22 and 23), 26,574 acres; dark air-cured, 12,735 acres; cigar-binder, 5,677 acres; cigar-filler and binder, 20,610 acres.

There are no acreage allotments as such on feed grains, but farm feed grain base acreages which reflect average acreage in the 1959-60 period are used for participation in the feed grain program.

Diversion, Price Support and Other Payments

Beginning with 1961 crops, the CCC was authorized to make diversion payments to farmers who agreed to help stabilize production by reducing their acreage of feed grains. The Congress subsequently provided authority for a similar program for 1962 and 1963 crops of corn, grain sorghum, and barley. Legislation approved in May of 1963 authorizes a feed grain program for these crops in 1964 and 1965, providing diversion and price-support payments.

A diversion program was also in effect for 1962 and 1963 crops of wheat. For 1964 and 1965 crops of wheat, a voluntary program was authorized, providing for diversion payments, price-support loans, and marketing certificates.

Under cotton legislation enacted in April 1964, equalization payments are provided to make domestic cotton available to domestic mills at no higher costs than those at which foreign mills acquire U. S. cotton. The equalization payments apply to cotton consumed domestically and to cotton exported. The same

legislation provides that cotton growers may have a choice between two farm cotton allotments. A grower may stay within his larger allotment and be eligible for a price support loan, or he may stay within his smaller allotment and be eligible for the loan and an additional price-support payment on about two-thirds of his cotton.

Price support and diversion payments under the feed grain program and price-support and equalization payments under the cotton program are either in-kind from CCC's stocks or in cash. For cash payments, CCC markets an amount of feed grain and cotton from its inventory equal to the payments made under the feed grain and cotton programs. Under the wheat program, producer's may receive the cash value of their domestic and export marketing certificates from CCC which, in turn, sells the certificates to domestic processors and exporters who need them to cover their wheat processing and exports.

The payment provision of the programs helps farmers maintain income from crops for which large cuts in production are needed because of sizeable carry-over stocks already in storage. Substantial reductions in grain carryovers have been achieved through the program.

Agricultural Conservation

Farmers participating in the Agricultural Conservation Program (ACP) receive assistance averaging about one-half the cost of carrying out such conservation practices as establishing and improving vegetative cover of grasses, legumes, or trees for soil protection, installing erosion control structures, and practices for the conservation and more efficient use of water.

The program includes soil- and water-conservation practices especially beneficial to wildlife, such as food plots or habitat, pond and shallow water areas, and other practices which provide substantial soil and water conservation as well as wildlife benefits. It provides this assistance to more than

a million farmers, ranchers, and woodland owners each year; over a 3 or 4 year period, more than two million farmers are benefitted.

In emergencies caused by such disasters as floods, drought, or hurricanes, ACP funds are used for practices to help farmers bring the damaged farmland back into productive use.

Under a test program begun in 1963, farmers in a total of 128 counties in 37 States signed agreements to convert cropland to grass, trees, water storage, wildlife habitat, and income producing outdoor recreation. Under the 1964-65 program, a total of 101 counties in 36 States have been designated as test areas.

The program is designed to improve family farm income by helping farmers convert land now being used for the production of row crops and small grains that are in surplus to other long-range income-producing uses.

Under the Conservation Reserve, farmers earn payments by holding general cropland out of production and putting it to conserving uses. Although authorization to accept additional contracts under this program ended with the 1960 program year, producers can earn annual payments for the remaining years of term contracts (ranging from 3 to 10 years) still in effect.

International Wheat Agreement

The main objective of the International Wheat Agreement is to assure markets for wheat from exporting countries and supplies of wheat to importing countries at equitable prices. Importing countries are obligated to purchase from member exporting countries specified percentages of their total commercial imports. The United States and other exporting countries are obligated to sell member importing countries quantities up to historical commercial levels at the Agreement maximum price.

Between maximum and minimum levels, wheat moves under the Agreement at prices negotiated by the buyer and the seller. For the 1962-65 Agreement, the maximum price is \$2.02 $\frac{1}{2}$ per bushel for No. 1 Manitoba Northern bulk wheat, in store at Fort William-Port Arthur, Canada, in terms of United States currency. The minimum price on the same basis is \$1.62 $\frac{1}{2}$ a bushel.

During the 1963-64 Agreement year, 215,641,000 bushels of wheat and wheat equivalent in flour were registered for shipment from the United States under the Agreement. Differential payments, made to bridge the gap between domestic price levels and sales prices under the Agreement, averaged about 56 cents a bushel.

The Sugar Program

Basically, the Sugar Act is intended to do three things: (1) Make it possible as a matter of national security to produce a substantial part of our sugar requirements within the continental United States and to do this without the consumer-penalizing device of a high protective tariff; (2) assure United States consumers of a plentiful and stable supply of sugar at reasonable prices; and (3) permit friendly foreign countries to participate equitably in supplying the United States sugar market for the double purpose of expanding international trade and assuring a stable and adequate supply of sugar.

Main features of the sugar program include: The determination each year of the amount of sugar which will be needed to fill United States requirements; the establishment of "quotas" which determine the share of this market which will be available for specified domestic and foreign producing areas; the establishment (as needed) of individual allotments, or "proportionate shares", for domestic farm producers; and the payment of "conditional payments" to producers in return for their compliance with the production adjustment and other provisions of the program.

The conditional payments to producers are financed out of the general funds of the Treasury. However, sugar taxes provide funds for the Treasury which more than offset all costs of the program.

Conditional payments of approximately 91.1 million dollars were made on the 1963 crop to about 59 thousand sugar beet and sugarcane producers in 23 States, Puerto Rico, and the Virgin Islands.

The Wool and Mohair Programs

The wool program administered by ASCS is an incentive program to increase production. It is authorized by the National Wool Act of 1954, which directs that domestic wool production at a yearly level of 300 million pounds shall be encouraged "as a measure for our national security and in promotion of the general welfare."

The Act, which was extended through March 1966 by the Agricultural Act of 1961, also provides price support for mohair at a level related to the incentive price for wool.

The payments under the wool program are set so as to bring the national average price received by producers for their wool up to a national average incentive price. The payment to each producer is a flat percentage of his own returns from wool marketings.

For example, the rate of payment for the 1963 wool marketing year was 27.8 percent, which was the percentage needed to bring the average price received by all producers (48.5 cents) up to the announced incentive level of 62 cents. Thus, each producer received \$27.80 for every \$100 he received from his wool sales.

The use of a percentage method to set the rate of payment instead of making a uniform flat payment per pound of wool sold encourages producers to

do a good job of marketing their wool, and also takes into account the relative value of the various grades of wool.

During each of the 11 years of the program -- from 1955 through 1965 -- the incentive level has been set at 62 cents per pound. During the 10 years completed, the average price received by producers has ranged from 53.7 cents per pound in 1957 to 36.4 cents per pound in 1958.

Average prices received by mohair producers during the first seven years of the program and during 1963 were above the announced support level and thus no support payments were necessary. For the 1962 marketing year, the payment rate for mohair was 3.6 percent of the dollar returns each producer received from the sale of mohair.

Natural Disaster Assistance

Three-member disaster committees have been established in each State. Members are the directors of the Farmers Home Administration and the Cooperative Extension Service, and the ASC State Chairman, who also serves as disaster committee chairman. State Disaster Committees report any emergency situation, and, when necessary, recommend that the Secretary of Agriculture designate as disaster areas any that require emergency assistance.

Emergency assistance programs offered farmers in disaster-designated areas may include any or all of the following: (1) permission to cut hay and graze livestock on lands retired or diverted from crop production under USDA programs; (2) making available CCC-owned feed grains to eligible farmers and ranchers at below-market prices, and, in some instances, by donation; and (3) cost-sharing with farmers who carry out emergency conservation practices to rehabilitate farmlands damaged by natural disaster.

For the calendar year 1964, haying and grazing privileges were offered in 1,230 counties of 34 States; livestock feed assistance in 1,002 counties of 35 States, and cost-sharing emergency conservation assistance in 514 counties of 24 States. In addition, substantial quantities of CCC-owned feed grains were donated in several Florida and Louisiana counties struck by hurricanes and floods early last fall, and in Puerto Rico and the Virgin Islands as a result of the worst drought on record.

Defense Readiness

USDA's defense preparedness program is designed to maintain readiness in an emergency to carry out food and agricultural programs, mobilize USDA forces, provide leadership and guidance to State and local governments, farmers, the food industry, and the public to insure conservation and continuity of the Nation's food supply and preservation of agricultural resources.

Defense responsibilities in USDA reflecting regular program authorities and special Executive orders, have been assigned by the Secretary to agencies whose peacetime activities bear a close relationship to programs essential in an emergency.

Accordingly, each ASCS Deputy Administrator supervises defense preparedness by the divisions, staffs and offices under his jurisdiction. ASCS units most closely associated with defense are the Defense Activities Staff of the Policy and Program Appraisal Division and the Disaster and Defense Services Staff.

ASCS defense preparedness functions relate to farm production, conservation and stabilization.

ASCS is responsible for emergency preparedness programs and defense operations relating to handling, storage and distribution of all grains before export or processing.

ASCS also provides certain coordinating services, including USDA-wide consolidation of claims for non-food requisites and manpower necessary to support food and agricultural operations and other programs for which USDA is responsible; servicing of USDA State and County Defense Boards; coordination of damage assessment; advising on maintenance of emergency records; and preparation of defense reports for USDA.

For all States, Puerto Rico, the Virgin Islands, and the District of Columbia, USDA preparedness measures are coordinated by USDA Defense Boards whose members represent USDA agencies having field defense responsibilities. In an emergency the Chairmen of these boards would direct USDA programs within the State or county.

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